Marketing and Promotion of Kentucky Aquaculture Products

Marketing Strategies

Choosing an appropriate marketing strategy is often the difference between success and failure for most aquaculture ventures. Aquaculture products can be sold by a variety of different methods, each requiring a different level of involvement and investment by the producer. Production levels, cash supply, and the talents of the producer must all be considered when choosing a marketing approach. Examples of some possible marketing strategies are given below with an explanation of the positive and negative points of each.

Direct Sales Advantages

Direct sales to consumers allow the producer to realize a greater profit for the product by taking responsibility for the promotion and distribution, thereby "cutting out the middle man." Money that would otherwise be paid to a wholesaler or shipper is kept by the producer, thus increasing the profit margin. Direct sales also allow the producer total control of the quality of the product sold. This is especially important if the producer is marketing a product, which is identified by the producer's name. Selling directly can offer a degree of independence not possible when selling to a wholesaler. The producer has more control over the product's price and is not at the mercy of one large customer, the wholesaler, who may find another source of fish. The producer is often more enthusiastic about the product than a wholesaler who may be marketing a number of different species and who may not be pushing any one product. Harvest scheduling is controlled by the producer and not the wholesaler, which can have a significant impact on profitability.

Direct Sales Disadvantages

There are a number of problems associated with direct sales. The promotion and distribution done by the producer costs money and may not be as effective as when done by a wholesaler whose entire business is the buying and selling of fish. Most food fish producers raise a single species of fish, which may not be attractive to retailers or consumers looking for variety. Those who are willing to buy a single species are often not interested in buying in large quantities, requiring the producer to establish a number of small accounts to sell the entire product.

Wholesale Sales Advantages

Selling to wholesalers allows the producer to concentrate time, effort, and cash resources on fish production. The wholesaler is responsible for purchasing the expensive refrigerated trucks and storage equipment needed for product distribution, and for paying the maintenance costs, insurance, and taxes involved with such equipment. Wholesalers generally have a broad customer base, which allows them to purchase large amounts of a single species for resale. They are equipped with the office space and sales force required to move large quantities of product.

Wholesale Sales Disadvantages

The main drawback to selling wholesale is the price the producer receives for the product. Wholesalers are in the business of buying fish at low prices and reselling them at higher prices. To do this they must be able to buy fish at prices considerably lower than the selling price to the retailer.

Niche Marketing

Niche marketing is the method by which the producer finds a market that can accept the product and offer a return that provides an acceptable profit. The high rate of return usually achieved in niche marketing provides many small producers with an opportunity to compete. Niche markets are usually limited in size and ability to accept large amounts of product. An example of niche marketing is the sale of unusual fish to an aquarium.

§ **Live Fish Sold for Food -** This market exists primarily in large cities such as New York and Chicago where customers are capable of taking several thousand pounds each delivery. There are opportunities in smaller communities as well. Some supermarkets have live tanks that hold fish and crayfish. Producers may also sell fish directly to consumers at the production facility.

§ **Bait Suppliers and Distributors -** Most of the bait sold to Kentucky anglers is produced out-of-state. Kentucky aquaculturists may be able to break into this lucrative market if they can lower production costs and offer bait dealers fish at prices that are competitive with current suppliers. Baitfish are often a secondary product for game fish producers or fish that are not suitable for the ornamental fish trade, as with the fish culled in goldfish farming. This should not take away from the fact there is a profit to be made by selling to this market.

§ **Pay Fishing Operations -** These operations stock their lakes with large fish then charge a fee for admission and for the weight of fish caught. Many operations also offer processing at an additional cost. In 1998, there were 174 pay lakes in Kentucky, with the majority purchasing their fish from out of state suppliers. Catfish and bass are the species of choice stocked by pay lake operators and anglers. Aquaculturists in Kentucky could produce these species.

§ **Lake and Pond Stocking -** There are thousands of private lakes and ponds in the State of Kentucky, many of which are stocked with bass, bluegill, crappie, and catfish. These are the fish most often used for stocking. Their small size allows for easier delivery. The Kentucky Department of Fish and Wildlife currently operates hatcheries to supply the fish stocked into public bodies of water. There may be opportunities, however, for producers to raise and sell fish for stocking in private lakes and ponds.

§ **Live Hauling -** Live hauling is a vital service required by many fish producers. Kentucky live haulers have been transporting fish produced both in-state and out-of-state for a number of years. Live haulers pick up fish for transportation in trucks with special water tanks and aeration equipment and deliver them to customers for stocking into lakes and ponds, for pay lake operations, and for human consumption. It is possible for a producer to act as a live hauler for other producers as a means of supplementing income or for a hauler to generate enough business to perform this service as a sole

means of support.

Value-added Products

Individual producers can work together cooperatively. If given access to planning and financed assistance, producers may be able to develop value-added products for sale. Examples are smoked, canned, or processed fish, fresh and frozen fillets. More producers could retain profits if they could integrate their sales further up the marketing chain.

Conclusion

There are many methods used to market aquaculture products. Some producers find they are better at growing fish than selling fish. In this case it may be wiser to invest time and money into efficiently producing fish, take a lower price and sell to a fish wholesaler. Other producers find the additional money received for their products justifies the effort required for selling direct. Niche marketing may be a viable alternative for small-scale producers.

Aquaculture Marketing in Kentucky

Most industry observers expect the demand for fish to continue to increase due to the aging of the U.S. population and increased emphasis placed on nutritional characteristics and health benefits of eating farm-raised fish. Farm-raised fish have rapidly advanced from being a substitute for ocean-caught products to a highly regarded premium product. Consumers want high quality food products that are readily available. Quality assurance can be provided more effectively and consistently in aquaculture than any other fishery due to the control the farmer has over the production and harvest. Consumers need to be aware of the health benefits of including farm-raised fish and shellfish in their diets.

Promoting Kentucky aquaculture products across the country and world not only will increase sales, but also alleviate competition for local buyers between Kentucky producers. Products should contain "Kentucky-Grown" on labels and the benefits of Kentucky raised products should be advertised at every step of the marketing chain.

Kentucky producers have important marketing advantages when compared to eastern and western counterparts. Kentucky is geographically centered and close to large market areas. This allows delivery of a fresher product to a wider range of buyers, with fewer losses and spoiling attributed to shipping product long distances. These advantages should be exploited whenever possible.

Research into marketing and consumer demand for Kentucky aquaculture products should be encouraged in Kentucky's universities. Their readily available expertise can be of considerable value to increase the profits Kentucky producers receive for their products.

The development and testing of new, valued-added aquaculture products should be expanded. Expertise and technology should be extended to processors and entrepreneurs. Marketing and promotion should be approached as a partnership among industry, government, and extension programs. Kentucky should expand development and testing for value added products with assistance from the Department of

Agriculture and the university research programs.

A full-time Aquaculture Marketing Specialist should be hired by KDA to work with the industry on networking and providing links between buyers and sellers. This would include developing directories and point of purchase materials, organizing buyer tours, manning booths at tradeshows, and making individual contacts with key buyers of aquaculture products.

The KDA should designate an employee to serve as the State Aquaculture Coordinator who will work to enhance communication among government agencies, institutions, industry producers, buyers, and processors. Enhanced communication will lead to improved coordination and competitiveness with suppliers, producers, and markets. The Aquaculture Coordinator also can provide assistance with the permitting or regulatory process, including advocating positive change, if needed.

Aquaculture marketing information should be relayed to potential new producers. Choosing an appropriate marketing strategy can mean the difference between success and failure for most aquaculture ventures. Assistance in making sound choices should be available to each aquaculturist.

Lack of attention given to marketing plans by would-be growers, particularly for small-scale ventures, has been a common problem that should be addressed in continuing market research. Frequently, farmers have entered fish farming without definite plans for marketing the fish. Additional market research, particularly oriented to small operations is important to continued industry development. The importance of marketing should be emphasized as an integral part of an aquaculturist's business plan. Production growth and marketing efforts will require synchronization to minimize costs of either excess supplies or excess capacity in processing.

Key infrastructure components such as hatcheries, processing, feed manufacture, and collection points should be developed. This assistance should include assistance with feasibility studies, the formation of grower owned cooperatives, and grants to provide seed money to leverage public/private investment in aquaculture development. Aquaculture products will play an ever-increasing role in supplying traditional seafood markets, however, better industry infrastructure and marketing channels must be established.

Use of strategically located processors is vital for the continuing development and expansion of aquaculture in Kentucky. Production areas must be concentrated as they develop so that Kentucky's advantage of market location is not lost due to high costs of small-scale processing and inefficient distribution.

Marketing Checklist

Source: 1998 Wisconsin Aquaculture Directory, Wisconsin Department of Agriculture, Trade and Consumer Protection

Fish farming is an ancient practice that can provide many profitable opportunities. Under the appropriate conditions, aquaculture can be a rewarding and an economically feasible business opportunity. Like other forms of farming, fish production involves capital investment and risks. It is important for the potential fish farmer to determine first what aspect of fish farming is of interest and how much it will cost to enter that respective business. Design, investment, and operational requirements differ for each culture system and species grown. The following checklist is designed to be used as a prescreening tool for prospective aquaculturists. It may help you build or expand a business plan. Such planning can be a map to success.

Yes	No	Market
		Can you continually harvest and market your product throughout much or all of the year?
		Is there a market for your fish when you plan to sell them?
		Is there an established market for your fish?
		Are other fish products available at prices lower than your profitable selling price that will out-compete you in the market?
		Have you identified your primary and alternative markets?
		Have you assessed the market size/demand and potential competitors?

Yes	No	Personnel
		Do you or your production manager have the technical training/experience to manage your operation at optimum efficiency?
		Do you have available the resources to make immediate diagnosis and proceed with proper chemical treatment of diseases and parasites for fish stocks and to deal with other biological problems of hatching and rearing?

Yes	No	Capitalization, Production Plant Facilities, Layout, & Equipment
		Do you have land with suitable water supplies and sites for fish farming?
		Are your facilities accessible during prolonged adverse weather?
		Do you have the machinery/equipment needed to raise, process, and market fish?
		Do you have the necessary financial resources?
		Have you developed a realistic business plan?
		Will the expected profit be adequate compensation for your labor, management, and risk?
		Have you accounted for expansion?
		Will investment and operating capital interest rates permit a reasonable profit?
		Can you afford to forego income until you sell your first crop?
		What emergency power unit is available in the event of power loss?
		Are you willing and able to devote the daily time and effort required?

Yes	No	Physical Factors
		Is the proposed culture site an unrestricted area and does the site have natural elevations?
		Is the prospective site located near markets and processing facilities?
		Have core drillings been made to determine impervious qualities of subterranean soils?
		Are adjacent lands subject to aerial crop spraying for insects and weeds?
		Do you have enough water to raise the desired fish?
		Do you have the appropriate water supply?
		Will the soil hold water?
		Is the area protected from flooding?
		Can you build a water retention area to remove fish wastes?
		Can you discharge water from your site?
		Does the land have proper topography for the construction of ponds or race ways?
		Can you economically secure your production facilities from poaching and prevent escape of stock?
		Is the site easily accessible year round for you and transport trucks?

Yes	No	Production Factors
		Are eggs/fingerlings available from local dealers at competitive prices?
		Can you raise your fish from eggs to produce your own fingerlings?
		Are high quality fish feeds readily available at competitive prices?
		Do you have a suitable area to store feeds?
		Do you have a source of the drugs/chemicals needed?
		Are you aware of universities, government agencies or professional fish culturists that can provide you educational and technical services?

Yes	No	Harvesting
		What is the most economical type of harvesting method for your present and future facility?
		How will you construct ponds and other production facilities to provide the most efficient harvesting techniques?
		What special equipment is needed for harvesting?
		Will you need special holding tanks/ponds to keep quantities of fish ready for immediate delivery?

Yes	No	Transporting
		What facilities do you have available for transferring harvested fish to market or to a processing plant?
		What will you use for cooling water during transportation of live fish?
		How will a suitable water exchange for long-distance shipments be made avail able in transit?

Yes	No	Processing
		If you plan to dress/package fish for retail, will you facilities conform with State Sanitation Code?
		Are your production facilities reasonably convenient to a processing plant?
		Is it to your advantage to contract with a processor for your annual production?

Yes	No	Are you equipped to handle these risks?
		Poor water quality
		Fish disease and parasites
		Poachers and vandals
		Potential chemical contamination
		Business management and taxation

These are the essential elements to a successful fish farming enterprise:

- § Large volumes of high quality water
- § Suitable water quality
- § Sufficient financial resources
- § Established markets
- § Appropriate management skills and time
- § Good service and good product quality

A better understanding of the requirements for successful aquaculture should now be gained. The next step is to meet personally with a knowledgeable aquaculture specialist or experienced industry persons to assess your specific situation and explore potential options. Time and work spent on planning can be profitable and the greatest reward may be the decision not to go into fish farming; it definitely is not for everyone.